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DEPT FOR EUR/AGS, INR/EU, AND EUR/PPD FOR YVETTE SAINT-ANDRE

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WHITEHOUSE FOR NSC/WEUROPE

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SUBJECT: AUSTRIAN MEDIA HIGHLIGHTS: August 2, 2007

No Limits for Flttl

1. Even though he had lost the BAWAG bank 639 million dollars in October 1998, the bank's managing board gave Wolfgang Flttl another 330,000 million dollars to continue his speculations. On the 11th day of the BAWAG trial, the former Secretary General of the bank, Peter Nakowitz, confirmed that Wolfgang Flttl had practical carte blanche to proceed as he liked with BAWAG money. It was also established that the BAWAG managing board had been informed about the enormous losses and had made the decision to risk more money in an attempt to cover up the situation. In order to compensate for the losses so far, Flttl was held liable with his private fortune - however that was greatly overestimated at the time, writes mass circulation daily "Kurier.". The money he got from BAWAG for further speculations were invested in yen deals of the kind that had just gone awry. Judge Bandion-Ortner showed herself amazed that the managing board had consented to such a procedure: "After all, that was your bank's money?" As it was, of the former managers, only Christian B|ttner voted against the deal. Flttl has assured the court that part of the money could still have been saved in October 1998, when he summoned Elsner to New York to inform him about the recent losses. According to Elsner, that is untrue - he claims to have visited Flttl privately, even using the latter's private plane, but not to discuss business. "Kurier" has commented the situation with reference to a 'credibility problem' of the culprits.

Europe's Stock Exchanges Plummet

2. On Wednesday, Europe's stock exchanges incurred severe losses of between 1.44 and 2 percent as a consequence of the real estate crisis in the US. Experts believe that fears of the possible effects of the mortgage crisis flared up and caused the tense situation at the stock exchanges. In connection with the recent stock exchange low, the initial public offering of the Austrian Meinel International Power (MIP) also flopped - however, part of the reason for that could also be the lack of concrete business activity of the MIP. The news from the US real estate market continues to be bad: A large supplier of mortgage loans, Home Mortgage Investment, is in turbulences and its survival is uncertain, writes independent daily "Der Standard." For the time being, this is the culmination of the crisis, which has brought 50 financiers in trouble, mostly companies that gave loans to customers with little creditworthiness. However, that was not the case with American Home, which addressed customers with high creditworthiness - which "increases the concern on the mortgage market," as the daily quotes a Baring Asset Management official.

## All Clear for Travelers to the US

13. In contrast to recent fears, travelers to the US will not have problems with booking flights on account of the new regulations regarding the transfer of passenger data from EU countries to the US. As before, passengers only have to give their names, addresses and their places of departure and arrival when booking a flight. The rest of the data, which are transferred to US authorities, are the by-product of special requests of passengers, for instance if they want a particular seat in the plane or book a car upon arrival. These data are transferred to the US via a so-called "push system" - meaning that the airlines are responsible for the transfer, rather than have the US authorities obtain the data themselves by accessing a booking code, as they have been able to do since 2004. Travelers to the US still have to have their photos taken and submit to the fingerprinting process. Austrian Airlines will not submit sensitive data such as credit card numbers or email addresses. In a statement of the US Embassy it is expressly confirmed that the travelers do not have to give personal data, such as reveal their political convictions. [Der Standard, p. 6; Kurier, p. 10]

## Biggest UN Mission of All Times

14. The UN Security Council unanimously decided to send peacekeepers to the western Sudanese crisis province of Darfur. The mission will be conducted by 26,000 troops, of which 19,500 are soldiers and the rest police forces. It is a so-called hybrid contingent, consisting of soldiers from the African Union (AU) and the UN. However, a lot of time could still pass before the new UNAMID (United Nations African Union mission in Darfur) mission is fully established, warns centrist daily "Die Presse." The stationing of such a large military force in a region the size of France is a logistic challenge. The UN members have a month to offer their participation. A large share of the burden falls on African states, but there are also offers from Europe already. Norway and Sweden have announced their intention to send pioneers; France and Denmark have indicated their readiness to send troops, France being one of the authors of the recent resolution. Austria has so far just said that it will "look into" the possibility of Austrian participation in the UN mission. Upon enquiry at the Foreign Ministry, "Die Presse" got no clear answer as to when a decision might be made. Foreign editor for centrist daily "Die Presse" Christian Ultsch is decidedly pessimistic as to a future Austrian participation: "Meanwhile, neutral Austria will once again take its seat among the spectator ranks - unless the government freaks out, but that would be unusual indeed."

## Bush Prevents Testimony of Rove

15. The tug of war between US President George W. Bush and Congress in the affair surrounding the dismissal of federal attorneys is continuing. Citing executive privilege, Bush has now prevented his "former" (sic) top advisor Karl Rove and White House top official Scott Jennings from having to testify under oath before the Senate. The Senate testimony was supposed to clear up the dismissal of eight federal attorneys, which the Democrats suspect were fired because of their political beliefs. [ORF online]

## Chaos with US Weapons in Iraq

16. The US military cannot fully account for the whereabouts of about 190,000 weapons that were delivered to Iraqi security forces between June 2004 and September 2005. Also, US Vice President Dick Cheney, in an interview with talk master Larry King, admitted that his former assessment of the situation in Iraq had been wrong. Two years ago, Cheney had said that the insurgency in Iraq was almost finished.

However, the Vice-President still defended the US intervention in Afghanistan and Iraq, saying that he was "confident" that the new strategy of increasing troop size would contribute to the stability of Iraq, writes independent daily "Salzburger Nachrichten."

## Sunnis Leave Iraqi Government

17. The government of national unity in Iraq is about to fall apart. The Arab Sunnis accuse Shiite Prime Minister Maliki of not representing their interests. After the withdrawal of six Sunni

cabinet ministers, 12 Iraqi government posts have become vacant. According to independent daily "Der Standard," the Sunnis have decided to leave the government after the Iraqi Prime Minister failed to fulfill the 12 conditions that they had stipulated for remaining part of the coalition. The most important points referred to the liberation of Sunni prisoners and the dissolution of militia. Generally, the Sunnis charged Maliki with pursuing a "religious" policy that favors the Shiites. Kurdish Vice Prime Minister Barham Salih has identified the present situation as the "biggest political crisis of Iraq since the constitution was passed." However, "Der Standard" analyzes that in practical terms, not much will change for the population of Iraq, since the government has been more or less paralyzed for a long time already.

Kilner